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The Importance to Poland of Latin American Regional Cooperation Initiatives

Bartłomiej Znojek

Regional cooperation initiatives are one of Latin American countries' main policy tools. They have served to foster the development of member states, build common trust, and strengthen their international position. For Poland, the significance of some of the groupings mainly results from their status as EU partners. The main blocs are Mercosur and the Pacific Alliance—both include Poland's main trading partners in the region—as well as the Community of Latin American and Caribbean States (CELAC), which represents the whole region in strategic partnership with the EU.

The economic sphere prevails in Poland's relations with Latin America. However, the region's share in Polish trade remains minimal, at just 1.4% in 2016, amounting to \$5.7 billion. Of that, the Common Market of the South (Mercosur) and the Pacific Alliance (PA) were responsible for 41% and 30%, respectively. The likely prospects for both blocs—their relations with the EU, in particular—are then essential when it comes to increasing Latin America's importance for Poland. At the same time, its non-permanent seat on the UN Security Council (UNSC) in 2018–2019 and role as host of the COP24 climate conference in Katowice in December 2018 provide the opportunity for closer cooperation with its Latin American partners. In that context, the EU-CELAC cooperation mechanism may be particularly useful.

Mercosur. The aim of the organisation founded in 1991 by Argentina, Brazil, Paraguay, and Uruguay is to establish a common market, but it has managed to form only an incomplete customs union so far. The reasons for that include member countries' protectionist tendencies and changing government concepts of Mercosur, which has been converted more into a platform of political cooperation than of economic integration. In 2012, Venezuela, ruled by the Hugo Chávez government, which disapproved of trade liberalisation, became a Mercosur member.

Nevertheless, changes in the last two years may help to revive economic integration in Mercosur. In Argentina and Brazil, respectively, are presidents who support economic liberalisation—Mauricio Macri, since 2015, and Michel Temer, since 2016 (after Dilma Rousseff's impeachment). Their governments have been undertaking reforms aimed at greater market openness. Both decided to apply for OECD membership and Venezuela has been suspended indefinitely as a Mercosur member because of its breaches of democratic rules.

Despite these difficulties, Mercosur remains one of the leading economic integration blocs in Latin America. It has almost 266 million inhabitants of the region's population of 630 million. In 2016, it accounted for one third of regional trade (\$475 billion) and 40% of FDI (\$65.7 billion in inflow and more than \$740 billion in stock). Brazil has had the biggest share of these flows, with Argentina second. Both have been South America's largest economies and Poland's main trading partners on the continent.

From the Polish perspective, the key remains the finalisation of the EU-Mercosur Association Agreement negotiations, which started almost two decades ago. The positive factors toward this goal are the level of

progress of the talks and the expectations on both sides after their exchange of offers in recent months (e.g., on the contentious topics of beef and ethanol). The accord may be signed in the first half of 2018 at the earliest, despite the persistent concerns of the agricultural sector in EU countries (including in Poland) towards trade liberalisation with Mercosur, an important food exporter. Nonetheless, mutual opening may broaden options for Polish firms to enter that market and may lead to increased mutual trade.

Pacific Alliance. This grouping was created in 2012 by Chile, Colombia, Mexico, and Peru based on the network of preferential trade agreements each member had developed with a few dozen markets worldwide. The bloc's main goal is to establish a common market, but it has not defined the integration timeline.

PA states have a combined population of more than 227 million. In 2016, it had 60% of the regional trade (more than \$1 trillion), but Mexico accounted for three-fourths of that value. The Alliance received \$58.5 billion of FDI inflow (amounting to more than 40% for the region) and maintained \$968 billion in FDI stock (above 50%).

The Asia-Pacific region is a priority for the PA countries, but they try to attract partners from various other regions, e.g., by granting observer state status. Now, there are 52 observers, including Poland since July 2015, and the PA would like to cooperate with them in such areas as education, science, technology and innovation, trade facilitation, and support for small and medium-size enterprises (SMEs). In 2016, the Polish government presented an offer to PA for projects related to exchange of experience in innovation, SME internationalisation, and city revitalisation.

Poland's involvement in the PA stems from the bloc members' well-developed trade ties with the EU. The first countries to strike preferential deals with the EU in Latin America were Mexico and Chile (the agreements have been in force since 2000 and 2005, respectively). At present, both countries are negotiating new accords with the EU to update the rules on trade and investment protection. For the other two PA members, Colombia and Peru, a comprehensive agreement with the EU consisting of gradual trade liberalisation entered into force in 2013.

CELAC. The community was established in 2011 as the fulfilment of aspirations to create a region-wide cooperation mechanism. It has served as a forum for political dialogue and position coordination for its 33 member states. A rotating annual presidency leads CELAC's work (El Salvador holds the post until January). The international status of the grouping as a representative of the region was confirmed by the institutionalisation of its dialogue with such partners as China, India, Russia, and the EU.

The EU-CELAC dialogue is an instrument that supports Poland's policy towards Latin America. The meetings that form part of that mechanism provide a platform for regular contact between the countries of both regions. Poland's active involvement in this dialogue is an important element that enhances its status as a significant partner in the EU for Latin American countries. The key dialogue instrument is biannual summits of the heads of state and government. Divergent positions among the CELAC countries on Venezuela's political situation resulted in the cancellation of the summit planned for October in El Salvador (the previous one was in Brussels in 2015). In alternate years, meetings of EU and CELAC foreign ministers are organised. The last one took place in Santo Domingo, Dominican Republic, in October 2016 and was an occasion for the Polish government to seek support from Latin American partners for Poland's UNSC 2018–2019 bid.

Conclusions. Processes related to the development of Mercosur, the PA and CELAC ought to be considered when defining Polish policy towards Latin America and when striving for enhancing Poland's position in global institutions.

In the case of Mercosur and the PA, key for Poland are the prospects for EU trade relations with both blocs. To take advantage of these opportunities, a debate in Poland among the state administration, businesses, and experts is required to adequately assess the outcomes of these agreements. The EU-Mercosur agreement seems in Poland to be presented mainly in specialised media focused on agriculture and as a threat to Polish producers. In the PA's case, in June, the National Chamber of Commerce (KIG) hosted a seminar on the grouping, but a thematic meeting (e.g. organised by the MFA) is still needed to talk about specific options resulting from initiatives proposed to the PA countries. For example, Polish SMEs would need information on concrete support tools to engage on these markets, while local governments may need to learn about potential PA partners in relation to exchange of experience.

Poland's UNSC term that begins in January 2018 and the organisation of COP24 next year will be additional platforms for cooperation with Latin American countries. The peace process in Colombia, the Venezuela crisis, and fulfilling climate-protection obligations included in the Paris Accord will be among the main issues for the region. An opportunity for dialogue on these topics will come with the EU-CELAC foreign ministers meeting planned for the first trimester of 2018. Regular contact with CELAC states, and especially with the country holding the bloc's presidency, will be beneficial to Poland as a non-permanent UNSC member and COP24 host.